

CITIZENS HOLDING CO /MS/  
Form 10-Q  
November 12, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 001-15375**

**CITIZENS HOLDING COMPANY**  
**(Exact name of registrant as specified in its charter)**

**Mississippi**  
**(State or other jurisdiction**  
**of incorporation or organization)**

**64-0666512**  
**(IRS Employer**  
**Identification No.)**

**521 Main Street, Philadelphia, MS**  
**(Address of principal executive offices)**

**39350**  
**(Zip Code)**

**601-656-4692**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Number of shares outstanding of each of the issuer's classes of common stock, as of November 7, 2013:

Title	Outstanding
Common Stock, \$0.20 par value	4,870,114



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CITIZENS HOLDING COMPANY

INTERIM FINANCIAL STATEMENTS FOR QUARTER ENDED SEPTEMBER 30, 2013

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## PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.  
CITIZENS HOLDING COMPANY

## CONSOLIDATED STATEMENTS OF CONDITION

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
<b>ASSETS</b>		
Cash and due from banks	\$ 19,089,862	\$ 21,561,288
Interest bearing deposits with other banks	721,055	16,228,747
Investment securities available for sale, at fair value	408,804,186	420,907,815
Loans, net of allowance for loan losses of \$7,770,041 in 2013 and \$6,954,269 in 2012	370,201,335	361,936,495
Premises and equipment, net	18,823,555	19,425,292
Other real estate owned, net	4,196,764	4,682,255
Accrued interest receivable	4,826,527	4,665,868
Cash value of life insurance	21,692,384	21,191,930
Intangible assets, net	3,149,657	3,149,657
Other assets	20,082,961	7,090,551
<b>TOTAL ASSETS</b>	<b>\$ 871,588,286</b>	<b>\$ 880,839,898</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand	\$ 121,404,926	\$ 119,946,574
Interest-bearing NOW and money market accounts	239,068,093	228,111,275
Savings deposits	52,979,146	46,240,652
Certificates of deposit	235,239,025	248,250,837
Total deposits	648,691,190	642,549,338
Securities sold under agreement to repurchase	76,357,769	73,306,765
Federal funds purchased	13,200,000	
Federal Home Loan Bank advances	55,500,000	68,500,000
Accrued interest payable	208,072	321,472
Deferred compensation payable	6,499,932	5,917,662
Other liabilities	2,350,870	1,375,831
Total liabilities	802,807,833	791,971,068
<b>STOCKHOLDERS EQUITY</b>		

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Common stock; \$.20 par value, 22,500,000 shares authorized, 4,870,114 shares outstanding at September 30, 2013 and 4,861,411 shares outstanding at December 31, 2012	973,982	972,282
Additional paid-in capital	3,748,217	3,620,967
Retained earnings	81,741,743	79,928,035
Accumulated other comprehensive (loss) income, net of applicable taxes of \$10,519,843 in 2013 and (\$2,586,340) in 2012	(17,683,489)	4,347,546
<b>Total stockholders equity</b>	<b>68,780,453</b>	<b>88,868,830</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 871,588,286</b>	<b>\$ 880,839,898</b>

The accompanying notes are an integral part of these financial statements.

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CITIZENS HOLDING COMPANY  
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>INTEREST INCOME</b>				
Loans, including fees	\$ 5,150,046	\$ 5,633,206	\$ 15,469,869	\$ 17,643,633
Investment securities	2,923,893	2,609,503	8,545,222	8,483,553
Other interest	4,781	32,641	42,195	50,322
<b>Total interest income</b>	<b>8,078,720</b>	<b>8,275,350</b>	<b>24,057,286</b>	<b>26,177,508</b>
<b>INTEREST EXPENSE</b>				
Deposits	458,497	668,407	1,473,254	2,096,841
Other borrowed funds	367,229	728,659	1,769,780	2,268,067
<b>Total interest expense</b>	<b>825,726</b>	<b>1,397,066</b>	<b>3,243,034</b>	<b>4,364,908</b>
<b>NET INTEREST INCOME</b>	<b>7,252,994</b>	<b>6,878,284</b>	<b>20,814,252</b>	<b>21,812,600</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>1,079,838</b>	<b>462,684</b>	<b>1,828,942</b>	<b>1,328,461</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>6,173,156</b>	<b>6,415,600</b>	<b>18,985,310</b>	<b>20,484,139</b>
<b>OTHER INCOME</b>				
Service charges on deposit accounts	1,028,592	966,149	2,833,391	2,711,719
Other service charges and fees	550,167	509,443	1,476,680	1,375,512
Income from security sales, net	268,733	5,972	423,388	43,725
Other income	336,035	359,001	1,059,929	956,364
<b>Total other income</b>	<b>2,183,527</b>	<b>1,840,565</b>	<b>5,793,388</b>	<b>5,087,320</b>
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	3,280,877	3,414,811	9,923,364	10,448,471
Occupancy expense	1,144,231	1,147,917	3,367,937	3,277,082
Other operating expense	1,425,135	1,710,148	5,263,137	5,631,591
<b>Total other expenses</b>	<b>5,850,243</b>	<b>6,272,876</b>	<b>18,554,438</b>	<b>19,357,144</b>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>2,506,440</b>	<b>1,983,289</b>	<b>6,224,260</b>	<b>6,214,315</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>496,977</b>	<b>354,247</b>	<b>1,196,607</b>	<b>1,170,509</b>
<b>NET INCOME</b>	<b>\$ 2,009,463</b>	<b>\$ 1,629,042</b>	<b>\$ 5,027,653</b>	<b>\$ 5,043,806</b>

NET INCOME PER SHARE -Basic	\$	0.41	\$	0.34	\$	1.03	\$	1.04
-Diluted	\$	0.41	\$	0.33	\$	1.03	\$	1.04
DIVIDENDS PAID PER SHARE	\$	0.22	\$	0.22	\$	0.66	\$	0.66

The accompanying notes are an integral part of these financial statements.



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CITIZENS HOLDING COMPANY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	<b>For the Three Months</b>		<b>For the Nine Months</b>	
	Ended September 30,		Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 2,009,463	\$ 1,629,042	\$ 5,027,653	\$ 5,043,806
Other comprehensive (loss) income				
Unrealized holding (losses) gains	(8,675,917)	(975,371)	(34,713,829)	214,860
Income tax effect	3,236,117	363,813	12,948,258	(80,143)
	(5,439,800)	(611,558)	(21,765,571)	134,717
Reclassification adjustment for gains included in net income	(268,733)	(5,972)	(423,388)	(43,725)
Income tax effect	100,238	2,227	157,924	16,309
	(168,495)	(3,745)	(265,464)	(27,416)
Total other comprehensive (loss) income	(5,608,295)	(615,303)	(22,031,035)	107,301
Comprehensive (loss) income	\$ (3,598,832)	\$ 1,013,739	\$ (17,003,382)	\$ 5,151,107

The accompanying notes are an integral part of these financial statements.

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## CITIZENS HOLDING COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended September 30,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash provided by operating activities	\$ 8,621,916	\$ 8,968,505
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and calls of securities available for sale	77,076,345	220,117,006
Purchases of investment securities available for sale	(142,276,646)	(244,228,754)
Proceeds from sales of investment securities	41,550,629	
Purchases of bank premises and equipment	(264,331)	(70,332)
Decrease in interest bearing deposits with other banks	15,507,692	1,838,575
Purchase of Federal Home Loan Bank stock	(438,600)	(282,700)
Redemption of Federal Home Loan Bank stock	1,052,000	442,800
Proceeds from sale of other real estate	1,431,927	1,296,551
Net (increase) decrease in loans	(11,040,218)	9,068,662
Net cash used by investing activities	(17,401,202)	(11,818,192)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits	6,141,852	44,684,143
Net change in securities sold under agreement to repurchase	3,051,004	(58,862,734)
Proceeds from exercising stock options	128,949	257,425
Decrease in Federal Home Loan Bank advances	(13,000,000)	
Increase in federal funds purchased	13,200,000	4,700,000
Payment of dividends	(3,213,945)	(3,206,771)
Net cash provided (used) by financing activities	6,307,860	(12,427,937)
Net decrease in cash and due from banks	(2,471,426)	(15,277,624)
Cash and due from banks, beginning of period	21,561,288	35,407,715
Cash and due from banks, end of period	\$ 19,089,862	\$ 20,130,091

The accompanying notes are an integral part of these financial statements.